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DEPT PASS TREASURY

USDOC FOR BEWT/USSR

E.O. 11652: GDS

TAGS: EEWT, BGEN, UR, US, ABLD, AFSP

SUBJECT: BUSINESS FACILITIES IN MOSCOW

REF: (A) 75 MOSCOW 4108, (B) 73 STATE 163993

1. SUMMARY: IN PREPARATION FOR JUNE 9-10 MEETING OF US-USSR JOINT COMMERCIAL COMMISSION, EMBASSY HAS PREPARED FOLLOWING REPORT ON BUSINESS FACILITIES IN MOSCOW FOR U.S. COMPANIES ACCREDITED BY SOVIET ORGANIZATIONS PLUS SEVERAL UNACCREDITED FIRMS WHOSE REPRESENTATIVES ARE REGULARLY HERE. FORMAT (REF B) USED IN PREVIOUS REPORTS HAS BEEN FOLLOWED IN PREPARING THIS MESSAGE, WHICH SHOULD BE READ IN CONJUNCTION WITH RESULTS OF LAST SURVEY (REF A) IN MARCH 1975.

2. FACILITIES FOR PREVIOUSLY ACCREDITED FIRMS HAVE IMPROVED SUBSTANTIALLY SINCE 1975 AS ALMOST ALL HAVE RECEIVED APARTMENT AND PERMANENT OFFICE SPACE. ACCESS HAS IMPROVED AND CUSTOMS PROBLEMS, ALTHOUGH SOMETIMES STILL A HEADACHE, HAVE DIMINISHED AS REPRESENTATIVES DEVELOPED CONTACTS, LEARNED HOW TO OPERATE IN SYSTEM AND REDUCED SOMETIMES UNREALISTIC ORIGINAL EXPECTATIONS.
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MOST SERIOUS REMAINING PROBLEM IS LACK OF MULTIPLE-ENTRY/EXIT VISAS FOR ALL DEPUTY REPRESENTATIVES AND MOST NON-US CITIZEN CHIEF REPRESENTATIVES AT FIRMS ACCREDITED BY MFT AND SCST.

3. THREE FIRMS ACCREDITED IN LATE 1975/EARLY 1976 HAVE ALL RECEIVED APARTMENTS, BUT TWO (COOPER AND INGERSOLL-RAND) ARE STILL WAITING FOR OFFICE SPACE. MUCH MORE SERIOUS, HOWEVER, IS

PROBLEM OF THREE RECENTLY ACCREDITED COMPANIES (SPERRY RAND, ARMCO AND ALLIS-CHALMERS), WHOSE "TEMPORARY" STATUS APPARENTLY DOES NOT CARRY RIGHT TO PERMANENT OFFICE OR APARTMENT.

4. EMBASSY'S RECOMMENDATIONS ON THESE AND OTHER ISSUES FOR JCC FOLLOW BY SEPTTEL. END SUMMARY.

5. ALLIS-CHALMERS (THOMAS SHILLINGLAW, REPRESENTATIVE) - MFT "TEMPORARY" ACCREDITATION.

(SEE AMEXCO ENTRY BELOW FOR PARAGRAPH HEADING FORMAT.)

A. CONTACTS ADEQUATE TO DO JOB, ACCORDING TO SHILLINGLAW, WHO MADE REGULAR TRIPS TO MOSCOW OVER PAST TWO YEARS BEFORE TAKING UP RESIDENCE EARLIER THIS MONTH.

B, C, D, LATEST DEVELOPMENTS DESCRIBED SEPTTEL.

E, F, NOTHING.

6. AMERICAN EXPRESS CO. (ROGER SCHMIDT, SENIOR REPRESENTATIVE) - INTOURIST ACCREDITATION.

A. ACCESS TO SOVIET ORGANIZATION: AS ONE OF TWO U.S. FIRMS (OTHER IS PANAM) WHOSE ACCREDITATION IN USSR STRETCHES BACK FOR MORE THAN DECADE, AMEXCO HAS WORKED OUT -- OR LEARNED TO LIVE WITH --MOST OF ITS PROBLEMS RELATING TO ACCESS TO SOVIET OFFICIALDOM. AT ANY RATE, SCHMIDT EXPRESSED NO COMPLAINTS IN THIS AREA.

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B. OFFICE SPACE: AMEXCO CONTINUES TO OPERATE OUT OF OFFICE SPACE ON THIRD FLOOR NEAR OF METROPOL HOTEL; THUS RENT CHARGES HAVE NOT GONE UP AS THEY HAVE FOR OTHER U.S. FIRMS NOT IN HOTELS. FIRM HAS FOR YEARS BEEN TRYING TO OBTAIN STREET FRONT OFFICE SPACE ANALOGOUS TO THAT OCCUPIED BY INTOURIST IN NEW YORK, BUT THESE ATTEMPTS HAVE GOTTEN NOWHERE. QUESTION REMAINS A RANKLING ONE FOR AMEXCO. SCHMIDT PLEASED WITH COMPETENCE OF SOVIET STAFF MEMBERS, WHO HAVE BEEN WITH AMEXCO FOR SIX YEARS.

C. HOUSING: RENT FOR APARTMENT OF SENIOR REP ROSE RECENTLY BY ONLY NINE PERCENT, BUT IT IS A NEWLY ACQUIRED FLAT AND THUS RENTAL RATE WAS ALREADY HIGH IN COMPARISON WITH RATES FOR OTHER WESTERN BUSINESS FLATS. RENT ON FLAT OF DEPUTY (MARSHALKO) ROSE BY 80 PERCENT, BUT FLAT HAD BEEN HELD BY AMEXCO SINCE 1958 AND SCHMIDT FELT INCREASE HAD BEEN RELATIVELY LONG IN COMING. MAJOR PROBLEM WITH HOUSING IS SOVIET REFUSAL TO ALLOW AMEXCO TO SUBLET FLATS DURING FREQUENT EXTENDED ABSENCES OF EITHER SENIOR OR DEPUTY REPS. NOR CAN AMEXCO EXECUS USE FLATS DURING SHORT VISITS TO MOSCOW FROM U.S. OR ELSEWHERE. FIRM THUS MUST PAY FOR

EMPTY FLAT PERIODICALLY AND AT SOME TIME FOOT BILL FOR HOTEL
ROOMS FOR VISITING EXECS. - A NEEDLES EXPENDITURE, IN
SCHMIDT'S VIEW.

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D. VISA SITUATION: PROBLEMS OVER VISAS WHICH HAD AFFLICTED BOTH
SCHMIDT AND HIS DEPUTY, MARSCHALKO, AROUND FIRST OF YEAR HAVE
BEEN RESOLVED. BOTH NOW HAVE MULTIPLE-ENTRY/EXIT VISAS.

NEW WRINKLES IN CONTRACT CLAUSES:

E. NOTHING NEW.

F. OTHER MATTERS: PERHAPS AS MUCH AS ANY OTHER RESIDENT U.S.
FIRM, AMEXCO IS INTERESTED IN QUESTION OF RECIPROCITY OF TREAT-
MENT FOR ITS PEOPLE IN MOSCOW AS COMPARED WITH THAT ACCORDED
INTOURIST OFFICIALS IN U.S. SCHMIDT NOTED THAT ALTHOUGH TWO
ORGANIZATIONS, TO HIS KNOWLEDGE, DID NOT OPERATE UNDER ANY
RECIPROCAL DOCUMENT SPELLING OUT TERMS OF RECIPROCITY AS SUCH,
THERE WAS AN INFORMAL UNDERSTANDING STRETCHING BACK TO 1958 WHICH
MORE OR LESS REGULATED THIS MATTER. SCHMIDT NOTED, WITHOUT
COMPLAINING, THAT AT PRESENT INTOURIST HAD FOUR OFFICIALS IN
U.S., WHILE AMEXCO HAD TWO REPS IN USSR. ONE TROUBLESOME ASPECT
OF RECIPROCAL RELATIONSHIP WITH INTOURIST, HOWEVER, WAS NECESSITY
FOR AMEXCO PERIODICALLY TO BE ON RECEIVING END OF STRONG PROTESTS
FROM SOVIETS OVER DEMONSTRATIONS BY VARIOUS GROUPS IN U.S.
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AGAINST INTOURIST OFFICES IN U.S. SCHMIDT SAID THAT WITHOUT ITS OWN POLICE FORCE, THERE WAS LITTLE AMEXCO COULD DO TO PREVENT SUCH EVENTS FROM OCCURRING. SOVIET CUSTOMS PRACTICES WERE NOT A PROBLEM FOR FIRM. SCHMIDT SAID, HOWEVER, THAT HE WOULD LIKE TO HAVE QUESTION CLARIFIED OF WHETHER CARS OF WESTERN BUSINESSMEN COULD BE DRIVEN OUTSIDE USSR, SOLD FOR HARD CURRENCY THERE, AND SUBSEQUENTLY DRIVEN BACK IN BY THEIR NEW OWNERS.

7. ARTHUR ANDERSEN & CO. (GEORGE KAISER, SENIOR REP AND DAVID BICKET, DEPUTY) - SCST ACCREDITATION.

A. FIRM EXPERIENCES SOME, BUT NOT MANY, ACCESS PROBLEMS. PROBLEMS WERE SEVERE A YEAR OR TWO AGO, BUT NOW THAT OFFICE HAS ADOPTED STANDARD PROCEDURE OF PRE-ARRANGING EACH MEETING WITH SOVIET OFFICIALS BY LETTER, THE DIFFICULTY HAS EASED -- NOW ONLY TIME DELAYS ARE A PROBLEM. FIRM WOULD, OF COURSE, PREFER TO DISPENSE WITH NEED FOR SO MANY LETTERS TO SOVIET ORGANIZATIONS, BUT RECOGNIZES SUCH DESIRES ARE UNREALISTIC.

B. OFFICE SPACE. ARTHUR ANDERSEN STILL OPERATES OUT OF A SUITE OF ROOMS IN THE LENINGRADSKAYA HOTEL WHERE IT PAYS ROUGHLY \$33,000 PER YEAR IN RENT, OR \$400 PER SQUARE METER WHEN ALL SERVICES ARE INCLUDED. KAISER COMPARED THIS COST WITH THAT OF A LARGER-SIZED OFFICE SPACE IN ONE OF SEVERAL BUSINESS BLOCKS WHERE OTHER U.S. FIRMS ARE PAYING \$35 TO \$40 PER SQUARE METER, TEN PERCENT OF AA'S COST. THUS, FIRMS CAUGHT FOR LONG PERIODS IN HOTELS PAY TEN TIMES MORE IN RENT THAN THOSE FORTUNATE ENOUGH TO BE ASSIGNED SPACE IN A BUSINESS BLOCK, AND AA HAS WAITED LONGER IN A HOTEL THAN ANY OTHER U.S. FIRM. INCLUDED IN RENT FOR AA'S OFFICE SPACE, INCIDENTALLY, IS A INTOURIST CAR AND DRIVER, PLUS ENGLISH-SPEAKING GUIDE, FOR THREE HOURS DURING EACH DAY OF OCCUPANCY. THIS IS A LOAD-ON OF ROUGHLY 25 PERCENT TO ROOM COSTS WHICH FIRM HAS UNSUCCESSFULLY FOUGHT FOR TWO YEARS NOT PAY SINCE THESE SERVICES ARE NEVER USED. OTHER PROBLEMS RELATED TO OFFICE SPACE INCLUDE AA'S NEED FOR DIRECT DIAL TELEPHONE LINES TO WEST AND SOME SORT OF REGISTERED POSTAL SERVICE IN

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USSR TO INSURE CONTROLLED DELIVERY OF MAIL TO WEST.

C. RENT WENT UP RECENTLY FOR SENIOR REP'S FLAT AT SERPUKHOVSKY VAL BY 26 PERCENT. DEPUTY STILL LIVES IN HOTEL, SINCE UPDK IS STALLING ON HIS PROMISED FLAT.

D. ACCREDITED BY SCST, ARTHUR ANDERSEN RECEIVES MULTIPLE-ENTRY/ EXIT VISAS FOR SENIOR REP AND HIS SPOUSE ONLY. DEPUTY REP

RECEIVES SINGLE-EXIT/ENTRY VISA UNDER SAME CONDITIONS AS DESCRIBED BY VRUWINK UNDER CATERPILLAR ENTRY BELOW. STRANGELY, BICKET REPORTS THAT KAISER'S SUCCESSOR, DEL ROEHM, HAS BEEN TOLD THAT ONLY HE AND HIS WIFE WILL RECEIVE MULTIPLE-ENTRY/EXIT VISAS AND NOT THEIR TWO MINOR CHILDREN. (COMMENT: UP TO NOW SOVIETS HAVE EXTENDED VISA STATUS OF REPRESENTATIVE TO ALL MEMBERS OF HIS OR HER IMMEDIATE FAMILY. EMBASSY HAS NOT BEEN ABLE TO CONFIRM BICKET'S REPORT WITH ROEHM SINCE HE IS NOT YET IN MOSCOW, BUT IF TRUE, OF COURSE, UTILITY OF PARENTS' MULTIPLE-ENTRY VISAS WOULD BE SUBSTANTIALLY LOWERED.)

E. ARTHUR ANDERSEN HAS DONE SOME RECENT WORK FOR SOVIET FTO RAZNOEKSPORT FOR WHICH FIRM ACCEPTED RUBLES IN PAYMENT. AS UPDK AND HOTEL AUTHORITIES APPEAR TO BE CLOSING DOWN ON AREAS WHERE GOODS AND SERVICES CAN BE PAID FOR BY RESIDENT WESTERNERS IN RUBLES, ARTHUR ANDERSEN IS CONCERNED THAT IT WILL NOT BE ABLE TO EXPEND POTENTIAL RUBLE EARNINGS IN USSR. FIRM WANTS GUARANTEE FROM SOVIETS THAT RUBLE EARNINGS WILL EITHER BE CONVERTIBLE INTO HARD CURRENCY AT STATED TIMES, OR THAT OUTLETS FOR SUBSTANTIAL RUBLE EXPENDITURES WILL REMAIN OPEN TO FIRM.

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F. OTHER MATTERS: ALONG WITH CURRENCY PROBLEM DESCRIBED ABOVE, BY FAR MOST GNAWING PROBLEM FOR FIRM SEEMED TO BE ARBITRARY CUSTOMS TREATMENT. LACK OF CLEAR, WRITTEN REGULATIONS COUPLED WITH HARD CURRENCY CHARGED FOR HANDLING AND TEMPORARY (WHICH COULD RUN FROM TEN TO 14 DAYS) STORAGE OF GOODS COMING THROUGH SOVIET CUSTOMS MAKE IT VERY DIFFICULT FOR ARTHUR ANDERSEN TO OPERATE IN

USSR, ACCORDING TO KAISER. FIRM WOULD LIKE TO SEE COMPENDIA OF CURRENCY AND CUSTOMS REGULATIONS PUBLISHED BY SOVIETS FOR GUIDANCE OF RESIDENT WESTERN BUSINESSMEN.

8. ARMCO (EDWARD A. PERPER, VICE PRESIDENT AND SENIOR REP) MFA "TEMPORARY" ACCREDITATION.

A. PERPER, WHO SPEAKS FLUENT RUSSIAN AND WHO SAID HE HAD "BEEN IN AND OUT OF SOVIET UNION FOR PAST TWENTY YEARS," HAD NO COMPLAINTS ABOUT ARMCO'S ACCESS TO SOVIET ORGANIZATION WITH WHOM FIRM NEEDED TO DEAL.

B, C, D, E, F. AS ONE OF LAST THREE U.S. FIRMS TO BE ACCREDITED BY MINISTRY OF FOREIGN TRADE, ARMCO ALSO HAS BEEN GIVEN "TEMPORARY" ACCREDITATION STATUS WHICH REPORTEDLY DOES NOT CONVEY RIGHT TO PERMANENT OFFICE OR LIVING QUARTERS IN MOSCOW. HOWEVER, FIRM HAS BEEN OFFERED, AND WILL APPARENTLY ACCEPT, CONFIDENTIAL

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LIVING QUARTERS IN LITTLE-KNOWN AND EXTREMELY MODEST HOTEL VOLGA LOCATED ON NORTH SIDE OF CITY, WITH ASSURANCES FROM MFT PROTOCOL SECTION THAT TELEX FACILITIES AND OTHER BASIC OFFICE AMENITIES CAN BE INSTALLED IN APARTMENT SO THAT IT CAN BE USED FOR BUSINESS PURPOSES UNTIL SOMETHING MORE ACCEPTABLE CAN BE FOUND. PERPER NOT AT ALL PLEASED WITH THIS ARRANGEMENT, BUT FEELS HE HAS NO OTHER CHOICE SINCE ARMCO, WITH ON-GOING PROJECTS IN USSR, HAS PRESSING NEED FOR SUPPORT/COMMUNICATIONS CENTER IN MOSCOW. UNDER CIRCUMSTANCES, PERPER DOES NOT CONTEMPLATE BRINGING HIS FAMILY TO MOSCOW UNTIL BETTER LIVING QUARTERS ARE PROVIDED BY SOVIETS, AND WILL CONTINUE TO COMMUTE FROM PARIS AS HE HAS BEEN DOING FOR SEVERAL YEARS. IN INTERIM, APARTMENT/-OFFICE IN VOLGA HOTEL WILL PROBABLY BE MANNED BY JUNIOR REP AND/OR SOVIET STAFF YET TO BE HIRED. SINCE ALL WAS UP IN AIR AT TIME PERPER SPOKE WITH COMATT (MAY 18), HE WAS UNABLE TO PROVIDE MORE SPECIFICS ON ARMCO'S PLANS OR OPERATING EXPERIENCE AS ACCREDITED FIRM IN USSR.

9. BANK OF AMERICA (MARC GROOETHAERT, ASSISTANT REP) - GOSBANK ACCREDITATION.

A. GROOETHAERT DESCRIBED B OF A'S ACCESS TO SOVIET AND CMEA BANKS (VENSHTORGBANK, IIB, IBEC) AS VERY GOOD-TO-EXCELLENT. ACCESS TO FTO'S MORE DIFFICULT BECAUSE THESE ORGANIZATIONS "FAILED TO UNDERSTAND NEED FOR BANKING REPS TO CALL ON THEM." THUS, EVEN WHEN MEETINGS ARRANGED, A MEANINGFUL EXCHANGE WAS INHIBITED. DIFFICULT "TO GET ANYWHERE" WITH FTO'S. IN GENERAL, VENSHTORGBANK WAS CONSIDERED BY B OF A TO BE MUCH MORE SOPHISTICATED ORGANIZATION THAN ANY FTO AND TO POSSESS MUCH MORE "COMPETENCY IN DEPTH."

B. B OF A SATISFIED WITH OFFICE SPACE ON TWENTIETH FLOOR OF INTOURIST HOTEL, DESPITE STEEP EXPENSE OF BEING LOCATED THERE. AS REGARDS STAFF, GROOETHAERT SAID HE WAS "TOTALLY SATISFIED" WITH SOVIETS WHO WORKED FOR HIM, INCLUDING

TWO SECRETARIES AND A DRIVER WHOM HE IS TRAINING TO KEEP
THE OFFICE ACCOUNTS.

C. B OF A HAS TWO FULLY FURNISHED FLATS AT SERPUKHOVSKIY
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VAL WHICH WERE FINISHED BY WEST GERMAN WORKERS. RENTS
RECENTLY WENT UP FOR BOTH BY 24 PERCENT. ONE IS VACANT
BECAUSE B OF A SENIOR REP (YABKOVICH) NOW RESIDES IN FRANKFURT.
(ACCORDING TO GROOHTHAERT, VOLUME OF BUSINESS DOES NOT WARRANT
ASSIGNING TWO RESIDENT OFFICERS IN MOSCOW AT THIS TIME.)
BOTH FLATS ARE SPACIOUS AND WELL-FURNISHED, BUT GROOHTHAERT
COMPLAINED THAT SOVIETS ALWAYS GAVE HIM GREAT TROUBLE WHEN HE
WISHED TO PUT UP VISITING GROUP OF B OF A EXECUTIVES FROM U.S.
IN VACANT FLAT. HE WAS CONSTANTLY BEING PUSHED TO ACCOMMODATE
SUCH OFFICIALS IN HOTELS. THUS, FAR, HAD HAD BEEN ABLE TO
RESIST BUT ONLY AT EXPENSE OF INCREASING HASSLE. HE WOULD BE
HAPPY TO SUBLET SENIOR REP'S FLAT TO ALLIS-CHAMBERS REP
(SHILLINGLAW) WHO RECENTLY ARRIVED WITH FAMILY, BUT UPDK REFUSES
TO ALLOW IT.

D. VISAS. DESPITE FACT THAT GROOHTHAERT (BELGIAN CITIZEN)
IS IN POSSESSION OF SOVIET MULTIPLE-ENTRY/EXIT VISA VALID FOR
ONE YEAR (AND PRESUMABLY NON-RESIDENT SENIOR REP YANKOVICH HAD
SIMILAR VISA TOO), HE WAS VERY UNHAPPY OVER SOVIET VISA
PRACTICES AND PROCEDURES WHICH HE DESCRIBED AS "UTTERLY RIDICULOUS
AND DISORGANIZED." (HE APPARENTLY EXPERIENCED SIZEABLE
DIFFICULTIES ON ARRIVAL ABOUT ONE YEAR AGO, AND THIS STILL
RANKLES.) AS REGARDS INTERNAL TRAVEL, GROOHTHAERT SAID HE HAD
NO COMPLAINTS OVER HIS ABILITY TO GET AROUND IN USSR.

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E. B OF A REPRESENTS A LARGE NUMBER OF CLIENTS WHO DEPEND ON BANK TO ASSIST THEM IN COLLECTING ON SALES OF EQUIPMENT OR SERVICES TO SOVIET. GROOTHAERT COMPLAINED THAT ONE OF HIS MOST TROUBLESOME OPERATIONAL PROBLEMS WAS "CHASING DOWN THE MONEY" IN SOVIET FOREIGN TRADE BUREAUCRACY. ONCE HE HAD HIS CLIENTS' SHIPPING DOCUMENTS IN HAND, FOR EXAMPLE, HE SAID IT WAS ENORMOUSLY DIFFICULT TO FIND RIGHT PERSON TO HAND THEM TO SO THAT PAYMENT PROCESS COULD GET STARTED. OR ONCE STARTED, IT REQUIRED GREAT PATIENCE AND TEDIOUS CHECKING TO PURSUE DISBURSEMENT THROUGH CHANNELS - PHONE CALLS NOT ANSWERED, PEOPLE "OUT SICK" OR ON LEAVE AND NO ONE ELSE EMPOWERED TO ACT IN THEIR ABSENCE, ETC.

F. OTHER MATTERS: GROOTHAERT FOUND UPDK TO BE "SINGLE MOST DIFFICULT ORGANIZATION I HAVE EVER HAD TO DEAL WITH." NEXT TO UPDK CAME SOVIET CUSTOMS IN WHOSE OPERATIONS GROOTHAERT COULD PERCEIVE NO DISCERNIBLE PATTERN. TWO EXAMPLES: (1) B OF A RECENTLY SHIPPED IN TWO SETS OF SOVIET SNOW TIRES FROM FINLAND FOR ITS SOVIET-MADE CARS AND WAS REQUIRED TO PAY 780 RUBLES DUTY ON THE LOT -- OR NEARLY \$500 IN DUTY FOR EACH CAR ALONE. (SOVIET SNOW TIRES ARE NOT READILY AVAILABLE IN SOVIET UNION, THUS NEED TO ORDER FROM OUTSIDE.) "WHY ANY DUTY AT ALL ON CONFIDENTIAL

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PRODUCTS OF USSR REENTERING COUNTRY?", GROOTHAERT ASKED. (2) A GROSS OF BALLPOINT PENS WERE SENT IN AIR FREIGHT FROM U.S. AS OFFICE SUPPLIES. CUSTOMS LEVIED 50 KOPECK (66 U.S. CENTS) DUTY ON EACH PEN, WHEREUPON GROOTHAERT, ACTING ON PRINCIPLE, HAD THEM SHIPPED BACK TO B OF A HEADQUARTERS. HE ALSO CONSIDERED CUSTOMS CHARGES ON INCOMING FOOD SHIPMENTS EXCESSIVE. FINALLY, AFFECTING B OF A OPERATIONS ACROSS BOARD WAS RISING NEED TO RESORT TO BRIBES TO GET THINGS DONE IN USSR. THIS PRACTICE WAS ESCALATING, NOT DIMINISHING, ACCORDING TO GROOTHAERT.

10. BROWN AND ROOT (ROBERT SIROTTA, REPRESENTATIVE) - SCST ACCREDITATION.

A. NO PROBLEM ON CONTACTS. BROWN AND ROOT MAY WELL BE BEST CONNECTED U.S. COMPANY IN MOSCOW, THANKS TO APPARENTLY EXCEPTIONAL PERSONAL CONTACTS ENJOYED BY WALTER ZIMMERMANN, PRESIDENT OF BROWN AND ROOT TRADING, WHO HAS PASSED THEM ON TO SIROTTA.

B. BROWN AND ROOT'S OFFICE COMES AS SURPRISE TO MOST VISITORS WHO ARE UNPREPARED TO FIND LOUIS XV FURNITURE AND LOWREY ELECTRIC ORGAN IN MOSCOW BUSINESS ESTABLISHMENTS. SIZE OF THE IMMACULATELY FINISHED QUARTERS IS NOW BEING DOUBLED TO 260 SQUARE

METERS TO PROVIDE SPACE FOR FIVE FIRMS BROWN AND ROOT WILL REPRESENT IN USSR. SOVIET STAFF INCLUDES "VERY GOOD" ENGINEER, TWO MAIDS, TWO DRIVERS, AND TWO SECRETARIES, WHOSE TYPING LEAVES SOMETHING TO BE DESIRED. SIROTTA EXPECTS TO HIRE ADDITIONAL ENGINEERS TO SERVICE CLIENT FIRMS AND FORESEES NO PROBLEM SENDING THEM OUT OF USSR FOR TRAINING. RENT HAS NOT YET BEEN INCREASED ON ORIGINAL SPACE.

C. IMMEDIATELY FOLLOWING ACCREDITATION IN 1974, SIROTTA RECEIVED APARTMENT AT LENINSKIY 148, WHICH HE DID NOT BOTHER TO RECONFIGURE BECAUSE OF HIS BACHELOR STATUS AND PREOCCUPATION WITH OFFICE REMODELING. HE COMPLAINS THAT HOT WATER DOES NOT REACH HIS TOP FLOOR LOCATION MORNINGS, THAT THE PARKING LOT IS RIDICULOUSLY SMALL AND THAT FIRE ESCAPES ARE UNREACHABLE - A LITANY SHARED BY EMBASSY OCCUPANTS OF HIS BUILDING.

D. BOTH ZIMMERMAN (NON-RESIDENT) AND SIROTTA (BRITISH SUBJECT) CONFIDENTIAL

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HAVE MULTIPLE-ENTRY VISAS.

E. BROWN AND ROOT HAS NOT YET SIGNED ANY CONTRACTS WITH SOVIETS. IN VIEW OF THIS FACT, THE GOOD TREATMENT THE FIRM HAS RECEIVED IN OTHER AREAS DESCRIBED ABOVE STANDS OUT AS TESTIMONY TO ZIMMERMAN'S PERSONAL CONTACTS IN SOVIET HIERARCHY.

F. SIROTTA HAS NOT FOUND CUSTOMS DUTIES ONEROUS AND HAS JUST BEEN AUTHORIZED TO IMPORT SECOND CARY DUTY-FREE; HE IS NOT CERTAIN, HOWEVER, IF HE MUST PAY DUTY ON FURNISHINGS FOR OFFICE EXPANSION. UPDK HAS TOLD HIM THAT FOREIGN WORKERS CANNOT BE USED FOR FINISHING WORK. TIRED OF HASSLING WITH INTOURIST FOR VISITORS' ACCOMMODATIONS, SIROTTA NOW MAKES RESERVATIONS DIRECTLY WITH HOTELS FOR BROWN AND ROOT GUESTS AND PAYS IN RUBLES. (COMMENT: THIS IS VERY NEAT TRICK AS HOTELS ORDINARILY ACCEPT RESERVATION REQUESTS ONLY THROUGH SOVIET ORGANIZATIONS.) AMONG PROBLEMS HE CITED: INABILITY TO DRAW DOLLARS FROM VNESHTORGBANK FOR USE IN MOSCOW (EXCEPT AS PERSONAL FAVOR), INABILITY TO BUY INTERNATIONAL AIR TICKETS IN RUBLES (COMMENT: THIS DOES NOT CORRESPOND WITH SOME OTHER FIRMS' EXPERIENCE), AND DELAYS IN RECEIVING "INTERNATIONAL HEARLAD TRIBUNE" THROUGH INT'L MAIL (E.G. APRIL 14-18 PAPERS RECEIVED TOGETHER MAY 5).

11. BURROUGHS (JAMES RECTOR, REPRESENTATIVE) - UNACCREDITED. RECTOR ACHIEVED RESIDENT STATUS IN MOSCOW THROUGH MARRIAGE TO AMERICAN STAFF MEMBER OF US-USSR TRADE AND ECONOMIC COUNCIL. FIRM HAS HAD ACCREDITATION APPLICATION PENDIN WITH SCST SINCE OCTOBER 1974.

A. ACTIVE HERE FOR OVER THREE YEARS, RECTOR DESCRIBES ACCESS AS "FAIRLY DECENT."

B. BURROUGHS USES COUNCIL AND USCO FACILITIES.

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C. RECTOR AND WIFE SHARE ONE OF COUNCIL'S APARTMENTS.

D. RECTORS DO NOT HAVE MULTIPLE-ENTRY/EXIT VISAS AND ARE
SUBJECT TO NEW SINGLE ENTRY/EXIT VISA PROCEDURES DESCRIBED UNDER
CATERPILLAR BELOW.

E, F, NOTHING.

12 CATERPILLAR (ROBERT VRUWINK, DIRECTOR OF PRODUCT SUPPORT) -
MFT ACCREDITATION.

A. WHILE CONTACT WITH SOVIET ORGANIZATIONS IS NOT BAD,
VRUWINK DID NOT BELIEVE CAT HAS ACCESS NECESSARY FOR 100 PERCENT
EFFECTIVENESS. RELATIONS GENERALLY EXCELLENT WITH FTO'S, BUT
EXPERIENCE WITH END-USER MINISTRIES VARIES WITH PERSONALITIES
INVOLVED. TRAKTOREKSPORT PREFERS THAT CAT ARRANGE MINISTRT MEETINGS
THROUGH THEM, AND FIRM HAS NO OBJECTION TO THIS PROCEDURE. ACCORDING
TO VRUWINK, WIDER CONTACTS WITH END-USERS WOULD HELP TO OVERCOME CAT'
S
EXCLUSIVE IDENTIFICATION WITH CRAWLER TRACTORS IN SOVIET EYES.

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B. NO PROBLEM WITH OFFICE ON POKROVSKIY BUL'VAR ASIDE FROM

50 PERCENT RENT INCREASE. STAFF OF TWO SECRETARIES, TWO DRIVERS AND FACTOTUM IS "ADEQUATE."

C. NO PROBLEM ON HOUSING AS BOTH VRUWINK AND HIS BOSS RON PILON HAVE WELL-FINISHED APARTMENTS.

D. PILON HAS MULTIPLE-ENTRY/EXIT VISA AS CHIEF REPRESENTATIVE. WHILE ACCREDITED BUT NOT YET RESIDENT IN 1976, VRUWINK WAS GIVEN SERIES OF VISAS VALID FOR SINGLE EXIT AND REENTRY WITHIN SIX-EIGHT WEEKS OF ISSUANCE. MFT TOLD HIM AT THAT TIME, THAT AS MOSCOW RESIDENT, HE COULD BE ISSUED VISAS VALID FOR SINGLE EXIT AND REENTRY ANYTIME WITHIN THREE MONTHS OF ISSUANCE. AFTER MOVING TO MOSCOW, HOWEVER, HE APPLIED IN FEBRUARY 1977 FOR SINGLE-EXIT/ENTRY

VISA VALID FOR THREE MONTHS AND WAS TOLD THAT NO VISA WOULD BE ISSUED MORE THAN 10 DAYS PRIOR TO HIS DEPARTURE AND THAT APPLICATION MUST SPECIFY DEPARTURE DATE, DESTINATION, PURPOSE OF TRIP, AND REENTRY DATE. VRUWINK SHOWED COMOFF COPY OF RECENT VISA WHICH SPECIFIED, IN ADDITION TO PERSONAL INFORMATION, .07409 3 9* 5480 ("BUSINESS"), SPONSORING ORGANIZATION ("MFT"), AND POINTS TO BE VISITED ("GENEVA, SWITZERLAND"); FORM HAD BEEN AMENDED TO SHOW THAT VISA IS NOT VALID FOR EXIT BEYOND A SPECIFIED DATE WITH LATER TERMINAL VALIDITY DATE FOR RE-ENTRY ALSO SPECIFIED. VRUWINK NAMED LACK OF MULTIPLE-ENTRY VISA AS HIS (AND FIRM'S) BIGGEST PROBLEM.

E. CAT HAS BEEN IMPRESSED WITH SOVIETS' RECENT EMPHASIS ON CREDITS. VRUWINK BELIEVES IT WOULD NOW BE DIFFICULT TO MAKE SALE WITHOUT PROVIDING FINANCING.

F. NO CUSTOMS PROBLEMS BEYOND NORMAL DELAYS AND TEMPORARILY LOST SHIPMENTS.

13. CHASE MANHATTAN BANK (DAVID BUCKMAN, VICE PRESIDENT) - GOSBANK
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ACCREDITATION.

TEMPORARY ABSENCE PREVENTING MEETING WITH BUCKMAN, WHO IS NOW CHASE'S SOLE REP IN MOSCOW.

14. CITIBANK (PERRY WOOTTEN, VICE PRESIDENT) - GOSBANK ACCREDITATIO
N.

A. IN MOSCOW SINCE LAST SUMMER, WOOTTEN SAID THAT THE "UNMITIATED HASSLE" HE EXPERIENCED IN THIS AREA -- AS IN SO MANY OTHERS IN SOVIET UNION -- WAS HIS MOST IMPORTANT GRIPE. HE FOUND SOVIET SYSTEM BASICALLY INIMICAL TO EASY ACCESS TO THOSE IN BANKING AND INDUSTRY WITH WHOM HE FELT IT IMPORTANT TO KEEP IN TOUCH IN NORMAL COURSE

OF BUSINESS. PARTICULARLY ANNOYING WAS INFLEXIBLE REQUIREMENT BY SOVIET OFFICES WITH WHOM HE DEALT TO BE IN RECEIPT OF LETTER REQUEST FOR EVERY MEETING BEFORE APPOINTMENT COULD BE ARRANGED. WOOTTEN FELT THAT THESE REGID PROCEDURES HAD LONG SINCE LOST THEIR SCREENING VALUE TO SOVIETS, SINCE BY NOW HE HAD BEEN INTRODUCED TO ALL OF ACTORS IN MOSCOW BANKS, BUT THAT THEY CONTINUED TO EXIST "FOR THEIR OWN SAKE". (COMMENT: WOOTTEN TO CONTRARY, MANY SOVIET ORGANIZATIONS WILL SCHEDULE APPTS ON BASIS PHONE REQUEST.)

B. SINCE CITIBANK IS LOCATED IN THE NATIONAL HOTEL, THERE HAVE BEEN NO RECENT RENTAL INCREASES FOR OFFICE SPACE. AS REGARDS QUALITY OF SOVIET STAFF, CITIBANK IS NOW IN PROCESS OF LAYING OFF ONE OF ITS TWO SOVIET SECRETARIES AS OFFICE WINDS DOWN ITS OPERATION A NOTCH. (WOOTTEN ASKED THAT FOREGOING BE TREATED AS PRIVILEGED INFORMATION. PLEASE PROTECT.) IN GENERAL, WOOTTEN WAS NOT HIGH ON TECHNICAL COMPETENCE OF LOCAL CLERICAL STAFF, ALL OF WHOM HAD COME TO CITIBANK THROUGH UPDK. HE NOTED THAT HE HAD HEARD FROM GIRL WHO WAS LEAVING THAT "JOBS ARE HARD TO GET RIGHT NOW." (A CURIOUS REMARK, BUT PERHAPS BELIEVABLE, EVEN IN SOCIETY WHERE UNEMPLOYMENT IS TERM USED ONLY TO DESCRIBE LABOR MARKETS IN WEST).

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C. RENT FOR CITIBANK APARTMENT AT SERPUKHOVSKIY VAL HAS RECENTLY GONE UP BY 25 PERCENT. WOOTTEN WAS VERY UNHAPPY ABOUT THIS, NOTING THAT HIS FAMILY'S ACCOMMODATIONS WERE VERY POOR FOR WHAT BANK HAD TO PAY: APPROX. \$650 PER MONTH FOR THREE-BEDROOM FLAT. WOOTTEN FELT STRONGLY THAT HE WOULD NOT LIVE NDER CIRCUMSTANCES IN UNITED STATES WHERE HIS APARTMENT

BUILDING WAS UNIFORMLY DIRTY, WHERE NO ADEQUATE, SAFE PLAYING AREAS EXISTED FOR HIS THREE CHILDREN; AND WHERE FIRE DETECTION AND PREVENTION APPLIANCES WERE ABSENT.

D. AS REGARDS VISAS, THERE WERE NO PROBLEMS SO FAR AS WOOTTEN WAS CONCERNED SINCE HE HAS MULTIPLE-ENTRY/EXIT VISA.

CITIBANK HASNOT FILLED ITS DEPUTY REPRESENTATIVE SLOT LEFT VACANT BY DEPARTURE OF LAST INCUMBENT IN LATE 1976. WOOTTEN FELT CONFIDENT, HOWEVER, THAT IN UNLIKELY EVENT SHOULD A DEPUTY BE ASSIGNED, CITIBANK'S SOVIET SPONSOR, GOSBANK, WOULD, AS IT HAD IN PAST, OBTAIN A MULTIPLE-ENTRY/EXIT VISA FOR THAT PERSON (AND HIS FAMILY) AS WELL.

E. NO NEW CONTRACT WRINKLES.

F. ON OTHER MATTERS, WHAT CONCERNED CITIBANK MOST WAS SOVIET CUSTOMS REGULATIONS AND PROCEDURES WHICH WERE SEEN AS ARBITRARY AND INEQUITABLE. WOOTTEN RAILED AGAINST A RECENT DUTY CONFIDENTIAL

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HE HAD TO PAY FOR AUTO PARTS FROM BUICK FACTORY IN U.S. WHICH WAS 200 PERCENT OF VALUE OF PART. DUTY ON FOOD SHIPMENTS WAS CONSIDERED EXCESSIVELY HIGH AND INEQUITABLE IN VIEW OF GENERALLY RESTRICTIVE DIE IN USSR -- A DIET TO WHICH HE WOULD NOT RESTRICT HIS GROWING FAMILY. IN ORDER, PERIODICALLY, TO SELL OFFICE AUTOMOBILES, CITIBANK HAD BEEN INFORMED THAT VEHICLES WOULD HAVE FIRST TO BE TRANSPORTED OUT OF SOVIET UNION BEFORE SALE COULD BE CONCLUDED, THUS ADDING ENORMOUSLY TO COSTS. WOOTTEN WOULD LIKE TO SEE A SIMPLE PROCEDURE ESTABLISHED WHEREBY AUTOMOBILES MIGHT BE SOLD IN USSR THROUGH ESTABLISHED CHANNELS FOR HARD CURRENCY.

15. COOPER INDUSTRIES (DONALD A. HARNSBERGER, OPERATIONS MANAGER) -- MFT ACCREDITATION

A. COOPER HAS SATISFACTORY DAY-TO-DAY RELATIONSHIPS WITH FTO'S AND LESS FREQUENT CONTACTS WITH MINISTRIES. HARNSBERGER NOTED THAT FTO'S OCCASIONALLY SEEMED UNEASY ABOUT THESE DIRECT DEALINGS WITH END-USER MINISTRIES.

B. ACCREDITED IN JANUARY 1976, COOPER HAS STILL NOT RECEIVED PERMANENT OFFICE ALTHOUGH SPACE HAS BEEN INFORMALLY PROMISED IN BUILDING UNDER RENOVATION ON PEREULOK SAVOVSKIKH. HARNSBERGER DOUBTS, HOWEVER, THAT FIRM CAN BEGIN RESTRUCTURING WORK BEFORE MID-1978. UNTIL THAT TIME HE WILL CONTINUE TO WORK OUT OF PULLMAN'S OFFICES.

C. COOPER RECEIVED APARTMENT FOR HARNSBERGER IN JUNE 1976, BUT UPDK DID NOT START RESTRUCTURING WORK UNTIL SEPTEMBER. UNSATISFIED WITH UPDK'S JOB, HARNSBERGER BROUGHT IN GERMAN FIRM TO COMPLETE WORK ALTHOUGH HE HAD BEEN TOLD THAT USE OF FOREIGN WORKERS WOULD NOT BE PERMITTED. GERMANS ARRANGED FOR VISAS AND DUTY-FREE ENTRY OF MATERIALS WITHOUT INTERVENTION BY COOPER. HARNSBERGER NOW SATISFIED WITH APARTMENT, WHERE HE HAS BEEN LIVING SINCE FEBRUARY.

D. HARNSBERGER RECEIVED MULTIPLE-ENTRY VISA SIX MONTHS FOLLOWING

ACCREDITATION, BUT HE ADMITS HE DID NOT PUSH MFT FOR ISSUANCE.
HE ANTICIPATES THAT SOVIETS WILL NOT ISSUE MULTIPLE-ENTRY/EXIT/
VISA TO RECENTLY HIRED DEPUTY REP, WHO IS STILL UNDERGOING
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TRAINING IN ENGLAND.
E. HARNSBERGER HAS NOTICED GENERAL TREND TOWARD EXTENDING
GRACE PERIOD BEFORE CREDIT REPAYMENTS BEGIN.
F. NO CUSTOMS PROBLEMS EXCEPT FOR OCCASIONAL MISPLACED SHIP-
MENTS. HARNSBERGER HOPES USG WILL SUPPORT SECOND STAGE OF
YAKUTIYA GAS PROJECT AND EVENTUALLY NORTH STAR, WHICH HE BELIEVES
ARE ESSENTIAL FOR CONTINUED GROWTH OF COOPER'S ACTIVITIES IN
USSR.

16. DOW CHEMICAL (RAY RUSSELL, USSR MANAGER) -- MFT ACCREDITATION
A. ACCESS TO SOVIET ORGANIZATIONS SATISFACTORY.
B. OFFICE SPACE GOOD, ALTHOUGH SOME UNHAPPINESS EXPRESSED
WITH THE LARGE RENT INCREASES. STAFF QUALITY GOOD BUT LARGE
PROBLEM HAS BEEN TO GET PERMISSION FOR LOCAL OFFICE PERSONNEL
TO TRAVEL TO WEST FOR TRAINING. COOPERATION ON THIS QUESTION
IS ABSOLUTELY ESSENTIAL IF DOW IS TO DEVELOP FULLY QUALIFIED
LOCAL EMPLOYEES. REQUESTS FOR SUCH PERMISSION HAVE BEEN PENDING
FOR TWO YEARS IN ONE CASE AND A YEAR IN ANOTHER, ALTHOUGH IN
ONE OF THESE CASES THE TRAVEL PERMISSION WAS JUST GRANTED.
C. HOUSING IS SATISFACTORY.
D. RUSSELL, OFFICE'S ONLY NON-SOVIET EMPLOYEE, HAS MULTIPLE-
ENTRY/EXIT VISA.
E. NOTHING
F. THE SOVIETS HAVE BEEN VERY TIGHT WITH THEIR MONEY OF LATE
AND HAVE BEEN DELAYING PAYMENT AS MUCH AS POSSIBLE. RUSSELL
CLAIMS THAT DOW HAS NOT BEEN AFFECTED BUT THAT NUMBER OF LARGE
FIRMS HAVE RECENTLY EXPERIENCED DIFFICULTY EITHER GETTING PAID ON
TIME OR, IN THE CASE OF COMPENSATION ARRANGEMENTS, GETTING PROMPT
DELIVERIES. DOW CURRENTLY BUYS TWICE AS MUCH FROM THE USSR THAN
IT SELLS, BUT RUSSELL INSISTS THAT SOVIET DELIVERIES HAVE
BEEN PROMPT.

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17. DUPONT (PETER MESHKOFF, EAST EUROPEAN DIRECTOR) - MFT
ACCREDITATION.

A. ACCESS IS FINE.

B. DUPONT HAS JUST MOVED OUT OF TEMPORARY QUARTERS AT METROPOL
TO PERMANENT FACILITIES. MESHKOFF IS SATISFIED WITH HIS ACCOMMODA-
TIONS. LOCAL STAFF IS VERY SMALL AND HAS PRESENTED NO PROBLEMS THUS
FAR.

C. APARTMENT SATISFACTORY.

D. MESHKOFF, DUPONT'S ONLY REP, HAS MULTIPLE ENTRY/EXIT VISA.

E. NONE.

F. MESHKOFF'S BIGGEST COMPLAINT REGARDED THE USG FACILITATION
OF VISA ISSUANCE FOR SOVIETS WHOM DUPONT WISHED TO HAVE VISIT THE
U.S. HE FELT VISA ISSUING PROCESS IS FREQUENTLY VERY CUMBERSOME
AND NOTED THAT A NUMBER OF PROSPECTIVE VISITORS HAVE NOT GOTTEN
THEIR VISAS ON TIME.

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18. ENGLEHARD (BULLY VANLAAR, USSR REPRESENTATIVE) - MFT
ACCREDITATION.

A. WHILE GETTING APPOINTMENTS WITH INDIVIDUALS HAS NOT BEEN
SERIOUS PROBLEM, TELEPHONE ACCESSIBILITY IS CONTINUING DIFFICULTY.
NUMBER OF TELEPHONES IN SOVIET ORGANIZATIONS IS TOTALLY INSUFFICIENT
AND SOVIET OFFICIALS SELDOM, IF EVER, RETURN CALLS.

B. OFFICE SPACE IS SATISFACTORY AND SO IS THE LOCAL STAFF.
OFFICE ALREADY HAS ONE TELEX LINE AND A SECOND HAS JUST BEEN APPROVED

.

C. APARTMENT IS SATISFACTORY.

D. VISA SITUATION IS PROBLEM. SOVIETS HAVE REFUSED TO GIVE VAN LAAR A MULTIPLE-ENTRY/EXIT VISAS INCE HE IS THIRD COUNTRY NATIONAL (DUTCH). IF VAN LAAR WERE REPRESENTING A DUTCH COMPANY, HE WOULD QUALIFY FOR A MULTIPLE-ENTRY/EXIT VISA. IN SPITE OF APPROACHES TO SOVIETS BY BOTH U.S. AND DUTCH EMBASSIES, HE HAS YET TO RESOLVE THIS PROBLEM, WHICH IS A MAJOR INCONVENIENCE SINCE VANLAAR MUST PLAN HIS TRIPS OUT OF USSR UP TO TWO WEEKS IN ADVANCE.

E. ENGELHARD IS BECOMING INCREASINGLY INSISTENT ON USE OF LETTERS OF CREDIT IN THEIR DEALINGS WITH SOVIETS AS THEY HAVE FOUND THAT WHEN TERMS OF PAYMENT ARE CASH AGAINST DOCUMENTS, IT TAKES 30-45 DAYS TO GET PAID. (SEE BANK OF AMERICA ENTRY ABOVE.)

F. FOR A COMPANY DEALING IN LARGE VOLUMES OF RAW AND SEMI-PROCESSED MATERIALS SUCH AS ENGELHARD, PORT CONGESTION IS CONTINUING PROBLEM. DIFFICULTIES ARE PARTICULARLY ACUTE CONCERNING LUMINA SHIPMENTS TO BLACK SEA SINCE THERE IS ONLY ONE PORT WHERE THIS CAN BE SAFELY OFF-LOADED. SOVIETS PAID DOLS 500,000 IN DEMURRAGE CHARGES TO ENGELHARD IN 1976.

19. GENERAL ELECTRIC (W.D. JANEFF, REPRESENTATIVE) -
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MFT
ACCREDITATION.

A. CONTACTS COULD BE BETTER. NOTING THAT INITIATIVE ALWAYS RESTS WITH GE, JANEFF SUGGESTED THAT SOVIETS SHOULD PROVIDE SOME MECHANISM TO INFORM FIRMS OF PROJECTS WHERE WESTERN PARTICIPATION WOULD BE WELCOME. APPOINTMENTS CAN ALMOST ALWAYS BE ARRANGED WHEN SPECIFIC INTEREST CAN BE IDENTIFIED.

B. NO PROBLEM EXCEPT FOR 50 PERCENT RENT INCREASE. GE HOPES TO SEND STAFF MEMBERS TO WEST FOR TRAINING IN FUTURE BUT HAS NOT YET APPLIED.

C. GE HAS PERMANENT APARTMENT FOR JANEFF AND SENIOR REP PAUL LAPTEV, BUT SERVICE SUPERVISOR SAM GILKEY IS STILL IN HOTEL ALTHOUGH THIRD APARTMENT REQUESTED IN LATE 1976.

D. ALTHOUGH A CANADIAN CITIZEN, SENIOR REP LAPTEV RECEIVED MULTIPLE-ENTRY/EXIT VISA IN DECEMBER, AFTER INTERVENTION BY GE BOARD CHAIRMAN. JANEFF AND GILKEY SUBJECT TO SAME SINGLE-EXIT/ENTRY VISA PROCEDURE DESCRIBED BY CATERPILLAR'S VRUWINK. JANEFF UNDERSTANDS THIS PROCEDURE INSTITUTED BECAUSE MFT WAS BURDENED BY MONTHLY VISA APPLICATIONS FROM BUSINESS REPS WHO HAD NO FIRM DEPARTURE PLANS BUT SIMPLY WANTED TO HOLD VAILD EXIT VISA FOR CONTI-

NGENICES. MULTIPLE-ENTRY VISA IS JANEFF'S MAIN REQUEST.

E. NOTHING NEW.

F. NO SERIOUS CUSTOMS PROBLEMS. OCCASIONAL DELAYS OCCUR,
BUT JANEFF HAS NO EVIDENCE OF CAPRICIOUSNESS IN DUTY COLLECTION.

20. HEWLETT-PACKARD (PETER GLADKIN, USSR MANAGER) - MFT
ACCREDITATION

A. ACCESSIBILITY IS GENERALLY GOOD, ACCORDING TO GLADKIN,
WHO ARRIVED LAST SUMMER AND SPEAKS FLUENT RUSSIAN.
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B. OFFICE SPACE SATISFACTORY ALTHOUGH HIGH PERCENTAGE RENT
INCREASE OF THE PAST YEAR IS REGARDED AS UNJUSTIFIED. STAFF
QUALITY IS SATISFACTORY.

C. H-P HAS FOUR ACCREDITED REPS IN MOSCOW. HOUSING SITUATION
FOR TWO IS GOOD, BUT UPDK HAS FAILED TO PROVIDE TWO OF FOUR
APARTMENTS WHICH WERE PROMISED IN THE PROTOCOL OF ACCREDITATION. FIR
M
HAS BEEN WAITING 2-1/2 YEARS FOR THESE APARTMENTS WITHOUT ANY SIGN
THAT THEY WILL BE PROVIDED IN NEAR FUTURE. AS RESULT H-P IS QUITE
UNHAPPY WITH UPDK.

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D. CHIEF REP GLADKIN HAS MULTIPLE-ENTRY/EXIT VISAS. OTHER REPS MUST APPLY FOR SINGLE-EXIT/ENTRY VISAS.

E. NO NEW WRINKLES IN CONTRACT CLAUSES. SOVIETS HAVE MERELY BEEN CAUTIOUS BUYERS DURING PAST SIX MONTHS.

G. H-P IS RATHER ANNOYED WITH INEFFICIENCY OF CUSTOMS: WHEN ARTICLES COME INTO CUSTOMS, IT GENERALLY TAKES 6-8 DAYS TO CLEAR THEM AND THEN CUSTOMS HITS FIRM WITH HEFTY STORAGE CHARGES AVERAGING DOLS 10,000 PER YEAR. GLADKIN ALSO COMPLAINED ABOUT SOVIET INSITENCE THAT FAIR EXHIBITORS BRING COMPLETE SETS OF ACCESSORIES AND SPARE PARTS FOR ANY EQUIPMENT DISPLAYED AND THEIR REFUSAL TO SIGN A CONTRACT UNLESS EVERY SINGLE SPARE PART IS PHYSICALLY PRESENT. HE FEELS THAT IT IS ALMOST IMPOSSIBLE TO KNOW IN ADVANCE EXACTLY WHAT ACCESSORIES A CUSTOMER WILL WANT AND THAT IT IS RIDICULOUS TO DELAY SIGNATURE UNTIL PARTS RECEIVED.

21. HONEYWELL (GARY LEHR, REPRESENTATIVE) - MFT ACCREDITATION.

A. ACCESS IS SATISFACTORY, ACCORDING TO LEHR, WHO HAS BEEN IN MOSCOW SINCE 1974.

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B. C. APARTMENT AND RECENTLY COMPLETED OFFICE ARE ACCEPTABLE. MANDATORY USE OF UPDK WORKERS TO DO GREAT MAJORITY OF WORK ON MOSCOW OFFICE CAUSED NEEDLESS INEFFICIENCIES.

D. LEHR, HONEYWELL'S ONLY REP, HAS MULTIPLE-ENTRY/EXIT VISA.

E. SOVIETS ROUTINELY ASK HONEYWELL TO GUARANTEE THAT EXPORT LICENSE WILL BE GRANTED BEFORE SIGNING A CONTRACT. LEHR CLAIMS COMPANY HAS CONSISTENTLY REFUSED AND SOVIETS HAVE ALWAYS GIVEN IN.

F. HONEYWELL'S BIGGEST CURRENT PROBLEM IS TO OBTAIN EXPORT LICENSE FOR 6620 COMPUTER IT WISHES TO SELL AT ZIL. MACHINE WOULD BE COMPANION FOR SIMILAR COMPUTER ALREADY IN OPERATION. HOWEVER, RESPONSE TO REQUEST FOR LICENSE, WHICH WAS SUBMITTED IN MARCH 1976, HAS BEEN VERY SLOW IN COMING. LEHR ASKED IF THERE HAS BEEN TIGHTENING IN U.S. EXPORT CONTROL POLICY.

22. INGERSOLL-RAND (HEINZ SALCHER, REPRESENTATIVE) -- MFT ACCREDITATION

A. SALCHER, WHO COVERED USSR PRIOR TO I-R'S ACCREDITATION IN JANUARY 1976, DESCRIBED HIS CONTACTS AS "GOOD." FTO'S ARE NO PROBLEM AND ACCESS TO END-USERS IS IMPROVING STEADILY AS HE LEARNS MORE ROPES AND IMPROVES PERSONAL RELATIONSHIPS.

B. UPDK HAS DECLINED TO ESTIMATE WHEN I-R WILL RECEIVE PERMANENT OFFICE. IN MEANTIME, SALCHER IS OCCUPYING SUITE IN METROPOL RECENTLY VACATED BY DUPONT. STAFF AND TELEX REQUESTED EARLIER THIS MONTH.

C. SALCHER MOVED INTO LENINSKIY 148 APARTMENT THIS MONTH AFTER UPDK COMPLETED "ACCEPTABLE (BY WESTERN STANDARDS)" FINISHING WORK. MATERIALS IMPORTED DUTY FREE, BUT SALCHER HAD BEEN TOLD THAT HE HAD CONFIDENTIAL

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TO USE SOVIET WORKERS FOR FINISHING. TO AVOID WATER PROBLEMS (SEE BROWN AND ROOT), HE IMPORTED HIS OWN BOILER. APARTMENT FOR SENIOR RP (AS YET NON-RESIDENT) REQUESTED SHORTLY BEFORE HIS FORMAL NOMINATION IN JANUARY BUT NO RESPONSE RECEIVED. I-R TURNED DOWN SOVIET OFFER OF COMBINATION APARTMENT/OFFICE SPACE IN VOLGA HOTEL.

D. SALCHER (AUSTRIAN CITIZEN) HAS BEEN TREATED LIKE CATERPILLAR'S VRUWINK SINCE HIS REGISTRATION AS MOSCOW RESIDENT IN FEBRUARY. BEFORE THAT TIME HE HAD BEEN TRAVELLING ON BUSINESS VISAS ISSUED BY SOVIET EMBASSY IN VIENNA. U.S. CITIZEN SENIOR REP WILL PRESUMABLY RECEIVE MULTIPLE-ENTRY VISA WHEN HE TAKES UP RESIDENCE.

E. NOTHING.

F. NO CUSTOMS PROBLEMS; MFT PROTOCOL HAS BEEN VERY HELPFUL.

23. IBM (BREWSTER MERRILL, DIRECTOR) - MFT ACCREDITATION.

A. MERRILL, WHO HAS BEEN IN MOSCOW SINCE 1974, REPORTS THAT IBM IS PRESENTLY LESS THAN FULLY SATISFIED WITH ACCESS TO SOVIET ORGANIZATIONS. APPOINTMENTS ARE SOMETIMES DIFFICULT TO GET AND APPOINTMENT SCHEDULES FOR VISITING EXECUTIVES WILL OFTEN CONSIST ON ONE APPOINTMENT PER DAY FOR THREE OR FOUR DAYS. IT IS ALSO DIFFICULT FOR COMPANY REPRESENTATIVES TO GET INTO PLANTS WHERE EQUIPMENT IS OR MIGHT BE USED TO ASSESS SITUATION. FOR EXAMPLE, NO IBM REP HAS EVER BEEN IN THE BACK ROOM AT INTOURIST WHERE AN IBM SYSTEM IS INSTALLED. ACCESS HAS NOT BEEN A PROBLEM AT KAMAZ, HOWEVER.

B. OFFICE SPACE IS SATISFACTORY. RENT (7,000 RUBLES PER YEAR FOR 200 SQ METERS) IS CONSIDERED REASONABLE. LOCAL STAFF IS SATISFACTORY.

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C. HOUSING (TWO APARTMENTS) CONSIDERED GOOD.

D. MERRILL HAS MULTIPLE-ENTRY/EXIT VISA BUT DEPUTY REP
GEORGE GEORKE MUST APPLY FOR SINGLE-EXIT/ENTRY VISAS. MERRILL
WOULD LIKE MULTIPLE ENTRY VISAS BOTH FOR GEORKE AND FOR SMALL
TEAM OF SPECIALIZED SERVICEMEN SO THAT LATTER COULD ENTER USSR
ON IMMEDIATE NOTICE IN EVENT OF MAJOR PROBLEM WITH COMPUTER
SYSTEMS. MERRILL HAS MADE A FORMAL PROPOSAL TO SOVIETS REGARDING
QUESTION OF MULTIPLE-ENTRY/EXIT VISAS FOR SERVICEMEN AND
CLAIMS THAT HE HAS RECEIVED RATHER POSITIVE INITIAL RESPONSE.

E. NO EXCEPTIONAL NEW CONTRACT WRINKLES ALTHOUGH, AS REPORTED
PREVIOUSLY, SOVIETS HAVE PUSHED VERY HARD TO GET ADVANCE
ASSURANCES OF LICENSIBILITY FOR OLYMPIC COMMITTEE COMPUTER.

F. NOTHING.

24. INTERNATIONAL HARVESTER (BRIAN REARDON, REPRESENTATIVE)

- MFT ACCREDITATION.

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A. GOOD ACCESS TO SOVIET ORGANIZATIONS, ACCORDING TO REARDON, WHO HAS COVERED SOVIET MARKET FOR PAST THREE YEARS.

B. REARDON DESCRIBES HIS NEWLY COMPLETED OFFICE ON POKROVSKIY BUL'VAR AS "THE BEST IN TOWN." SOVIET STAFF CONSIDERED EXCELLENT, ESPECIALLY SECRETARY WHOM REARDON RECRUITED HIMSELF AND THEN FORMALLY HIRED THROUGH UPDK.

C. FOREIGN WORKERS COMPLETED FINISHING WORK ON REARDON'S APARTMENT LAST AUGUST WITH HIGHLY SATISFACTORY RESULTS. RENT HAS NOT BEEN INCREASED AS TWO-YEAR LEASE STILL RUNNING. APPOINTED IN SEPTEMBER 1976, SERVICE MANAGER JAY CRAWFORD IS STILL LIVING IN INTOURIST HOTEL, BUT REARDON EXPECTS TO RECEIVE APARTMENT FOR HIM LATER THIS YEAR.

D. REARDON HAS MULTIPLE-ENTRY/EXIT VISA. IMMEDIATELY AFTER RECEIVING RESIDENT STATUS IN SEPTEMBER 1976, CRAWFORD WAS ISSUED SINGLE-EXIT/ENTRY VISAS, EACH VALID FOR EXIT AND ENTRY WITHIN A SINGLE DATE. IN JANUARY, HOWEVER, SYSTEM SHIFTED TO THAT DESCRIBED IN CATERPILLAR PARAGRAPH. BOTH REARDON AND CRAWFORD DESCRIBE LATTER'S LACK OF MULTIPLE-ENTRY/EXIT VISA AS BIGGEST PROBLEM I-H FACES, FOR CRAWFORD CANNOT BE SENT OUT OF USSR ON SHORT NOTICE AS HIS JOB OFTEN REQUIRES.

E. NOTHING NEW.

F. NO CUSTOMS PROBLEMS.

25. INTERTEX (GERALD COOPER, DIRECTOR, TECHNICAL SERVICES; REGINA GURMAN, ASSISTANT TO PRESIDENT) - NON-ACCREDITED.

DEALING ON ITS OWN ACCOUNT AND ON BEHALF OF OTHER FIRMS, INTERTEX HAS NO PERMANENT REPRESENTATIVE IN MOSCOW ALTHOUGH COMPANY MAINTAINS OFFICE IN ROOMS AT BERLIN HOTEL. SOMEONE FROM COMPANY IS USUALLY IN MOSCOW EVERY OTHER MONTH. INTERTEX HAS CONFIDENTIAL

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NO SPECIFIC PROBLEMS.

26. INTERTORG (TAMARA KERIM, PRESIDENT) - NON-ACCREDITED. A REPRESENTATIONAL FIRM, INTERTORG MAINTAINS OFFICE/APARTMENT AT YUZHNYAYA HOTEL WITH STAFF OF LOCALS AND ONE QUASI-PERMANENT U.S. REPRESENTATIVE.

A. KERIM STATES THAT ACCESS IN PAST SIX MONTHS HAS BECOME MUCH TIGHTER AND INFORMATION FLOW HAS DIMINISHED TO TRICKLE. AS A CONSEQUENCE, THE COMPANY HAS HAD A MUCH MORE DIFFICULT TIME IN TRYING TO SERVICE ITS CLIENTS. SPECIFICALLY, THERE IS NOT ENOUGH TECHNICAL INFO ON PROPOSALS CURRENTLY UNDER CONSIDERATION AND NO INFO ON NEW TENDERS.

B, C. SEE ABOVE.

D. INTERTORG REPS VISIT USSR ON BUSINESS VISAS SPONSORED BY ONE OF THE FTO'S WHICH FIRM DEALS WITH CLIENTS' BEHALF.

E. KERIM HAS HEARD REPORTS THAT THERE WILL BE NO FUNDING FOR PURCHASES AT EXHIBITS UNLESS CONTRACTS PREVIOUSLY NEGOTIATED.

F. MAJOR PROBLEM IS CLEARING OFFICE SUPPLIES AND MATERIALS THROUGH CUSTOMS.

27. OCCIDENTAL PETROLEUM (DAN GARINE AND TERRY RILEY, DEPUTY REPRESENTATIVES) - MFT ACCREDITATION.

A. OXY REPS EXPRESSED SAME COMPLAINTS AS IN CITIBANK ABOVE. THEY WERE PARTICULARLY UNHAPPY OVER SOVIET INSISTENCE THAT EACH MEETING WITH A SOVIET AGENCY HAD TO BE PRECEDED BY LETTER REQUEST. DELAYS ATTENDANT UPON THIS CUMBERSOME PROCEDURE WERE VERY COSTLY TO OXY SINCE IT HAD SO MANY PROJECTS ON GROUND IN USSR AND OFTEN NEEDED URGENT ACCESS TO RESOLVE ON-SITE PROBLEMS. REPS MADE GENERAL OBSERVATION THAT COORDINATION WITH SOVIET MINISTRIES AND ORGANIZATIONS WAS IN ALMOST EVERY CASE CONFIDENTIAL

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DEPENDENT UPON ESTABLISHMENT OF PERSONAL, ONE-ON-ONE CONTACTS AND THAT WITHOUT THESE, COOPERATION WITH SOVIET ORGANIZATIONS BECAME VIRTUALLY IMPOSSIBLE. SOVIET ORGANIZATIONAL INFLEXIBILITY COULD ONLY BE GOTTEN AROUND BY PERSONAL RELATIONSHIPS. MORE ORGANIZATIONAL "GIVE" WAS NEEDED ON SOVIET SIDE.

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INTERESTINGLY, OXY REPS DID NOT FEEL THAT DR. HAMMER'S REPUTATION HELPED THEM IN SLIGHTEST WAY TO OVERCOME OBSTACLES TO MEETINGS WITH SOVIET OFFICIALDOM DURING HIS ABSENCE FROM USSR. ONE PRACTICAL RECOMMENDATION OXY REPS MADE WAS CONVINCE SOVIETS AT JOINT COMMISSION MEETING OF VALUE OF LEAVING THEIR COMMERCIAL TELEXES IN FTO'S AND MINISTRIES ON AROUND CLOCK SO THAT MESSAGES SENT DURING WORKING DAY IN U.S. WOULD AT LEAST BE RECEIVED IN USSR DURING NIGHT.

B. NO PROBLEMS WITH CURRENT OFFICE SPACE OR PHYSICAL FACILITIES. OXY REPS WERE, HOWEVER, COMPLETELY DISSATISFIED WITH QUALITY OF CANDIDATES SERVED UP TO THEM BY UPDK FOR CLERICAL POSITIONS. ON WHOLE, THESE PERSONS WERE BARELY TECHNICALLY COMPETENT IN VARIOUS PHASES OF OFFICE WORK. OXY REPS FELT FRUSTRATED BY LACK OF BROAD "POOL" FROM WHICH TO CHOOSE STAFF PERSONNEL. EXECUS COULD NOT FREE THEMSELVES FROM OFFICE ROUTINE BECAUSE OF LOW CALIBER OF HELP. RELATED PROBLEMS WAS SOVIET REFUSAL TO ALLOW FOREIGN WORKERS TO DO INTERIOR FINISHING WORK ON OFFICE AND APARTMENTS WITH RESULT THAT THESE FACILITIES WERE FAR FROM PROFESSIONAL IN APPEARANCE. OXY REPS SAID THAT BASIC PROBLEM WITH SOVIET WORKMANSHIP WAS THAT MATERIALS, TOOLS AND KNOWHOW WERE LACKING. (SO WHAT ELSE
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IS THERE?)

C. NO PROBLEMS. IN FACT, DR. HAMMER'S FLAT, KEPT VACANT FOR HIS OCCASIONAL VISITS TO USSR, WAS "A BIT OF MANHATTAN IN MOSCOW." (THIS FLAT WAS EQUIPPED BY WEST GERMAN WORKMEN.)

D. BOTH GARINE AND RILEY COMPLAINED THAT IDENTICAL SITUATION OBTAINED FOR THEM AS DEPUTY REPRESENTATIVES OF OXY AS FOR VRUWINK OF CATERPILLAR. THEY BOTH WERE ANXIOUS TO RETURN TO PREVIOUS SYSTEM, WHERE SINGLE EXPIRATDQ IF QJNNEL IN U.S.

; RUBLE TRANSFER; CUSTOMS; AND LIVING

CONDITIONS FOR OXY TECHNICIANS ON WORKING SITES IN USSR.

-- SOVIETS OFTEN REFUSED EXIT PERMITS TO THOSE SOVIET PROJECT TECHNICIANS WHICH OXY WANTED TO TRAIN IN U.S., NOMINATING CANDIDATES OF THEIR OWN INSTEAD WHO WERE OFTEN INCOMPETENT IN AREAS OF EXPERTISE DESIRED.

-- AS MORE AND MORE OXY TECHNICIANS EARNED PER DIEM IN RUBLES UNDER OXY CONTRACTS WITH SOVIETS, MORE (NOT FEWER) OUTLETS HAD TO BE PROVIDED FOR THEM TO SPEND THESE RUBLE EARNINGS.

PURCHASE OF INTERNATIONAL AIRLINE TICKETS WAS NOT ALWAYS A SUFFICIENT OUTLET AS WESTERN AIRLINES OFTEN BALKED AT ACCEPTING RUBLES FOR THEIR OWN ACCOUNT.

-- ECHOING COMPLAINTS OF OTHER U.S. FIRMS, OXY REPS SAID FIRM NOW IS RESIGNED TO WRITING MOUNDS OF LETTERS ROUTINELY TO SOVIET CUSTOMS AUTHORITIES AND SWALLOWING RESULTANT COSTS IN LOST TIME AND EFFORT WITH GREAT GOBS OF PATIENCE.

-- OXY FEELS MUCH MORE WILL HAVE TO BE DONE BOTH BY SOVIETS AND BY FIRM (AT NEGOTIATING TABLE ON FUTURE CONTRACTS) TO INSURE MINIMALLY ADEQUATE LIVING CONDITIONS AND AUXILIARY SERVICES TO OXY TECHNICAL AND CONSTRUCTION SPECIALISTS AT WORK SITES IN USSR. IF CONDITIONS REMAIN AS AT PRESENT, FIRM REPS ARE CONCERNED THAT RECRUITMENT OF WORKERS FOR FUTURE OXY CONTRACTS WILL BE SERIOUSLY IMPAIRED.

28. PAN AMERICAN (ANTHONY DRAHORAD, MANAGER) - MINISTRY OF CIVIL AVIATION ACCREDITATION.
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- A. NO SPECIAL PROBLEMS.
- B. NO PROBLEM. SITUATION ESSENTIALLY UNCHANGED FROM 1975 (SEE REF A).
- C. NO PROBLEM.
- D. ALL REPRESENTATIVES HAVE MULTIPLE-ENTRY/EXIT VISAS.
- E. NO CHANGE.
- F. NOTHING.

29. PULLMAN (JAMES STEIL, DIRECTOR OF SALES) - MFT ACCREDITATION.

- A. STEIL DOES NOT DISCERN ANY CHANGE.
- B, C. RISE IN OFFICE/APARTMENT RENTS SEEMS UNJUSTIFIABLE BASED ON SERVICES RECEIVED AND ORIGINAL STATE OF OFFICES BEFORE REMODELING.
- D. NON-RESIDENT SENIOR REP BOB KRATTLI HAS MULTIPLE-ENTRY/EXIT/VISA, BUT STEIL AND MARKETING DIRECTOR VAN DEN TEMPEL ARE SUBJECT TO PROCEDURES OUTLINED BY CAT'S VRUWINK. VISA SITUATION IS NOT MAJOR PROBLEM, STEIL BELIEVES, JUST A PAIN WHICH CAN BE OVERCOME WITH PROPER PLANNING. FIRM HAS NOT YET FACED AN EMERGENCY SITUATION WHICH MIGHT CREATE DIFFICULTIES.

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E. NO CHANGES

30. SATRA (CARL M. LONGLEY, VICE PRESIDENT) - MFT ACCREDITATION.

A. NO CHANGE, EXCEPT SLIGHT SLOWDOWN IN OVERALL BUSINESS.

B, C. NO CHANGE.

D. LONGLEY HAS MULTIPLE-ENTRY/EXIT VISA, BUT DEPUTY REP VAL
SHELVY DOES NOT. SHELVY DOES NOT PARTICULARLY LIKE NEW VISA
PROCEDURE BUT HAS NOT, TO DATE, HAD ANY DIFFICULTIES.

E. NO CHANGE.

31. WJS (JOHN ANDREWS, MANAGER, MOSCOW OFFICE) - NON-ACCREDITED.

WJS HAS ITS OFFICE/APARTMENT IN THE INTOURIST HOTEL AND HAS ONE
QUASI-PERMANENT REP AND ONE SOVIET LOCAL.

A. REPORTS SIMILAR PROBLEMS AS INTERTORG.

B, D. SEE ABOVE.

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D. SITUATION LIKE INTERTORG'S

E. NOTHING DIFFERENT.

F. SAME CUSTOMS PROBLEMS IN INTERTORG.

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Disposition Date: 22 May 2009
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